

BOARD OF COMMUNITY HEALTH

September 8, 2004

The Board of Community Health held its regularly scheduled meeting in the Floyd Room, 20th Floor, West Tower, Twin Towers Building, 200 Piedmont Avenue, Atlanta, Georgia. Board members attending were Richard Holmes, Vice Chairman; Ann McKee Parker, Ph.D.; and via teleconference Carol Fullerton, Chairman; Frank Rossiter, M.D., Secretary; and Kent (Kip) Plowman. Commissioner Tim Burgess was also present. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments #1 and #2.)

Mr. Holmes called the meeting to order at 10:26 a.m. The Minutes of the August 25 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

Mr. Holmes introduced and welcomed new board member Dr. Ann McKee Parker. Commissioner Burgess recognized and thanked State Senator Steve Henson of DeKalb County for attending the meeting.

Commissioner Burgess began his report by calling on Carie Summers, Chief Financial Officer, to give an overview of the Disproportionate Share Hospital (DSH) and Indigent Care Trust Fund (ICTF) Hospital Payments Public Notice and hand out additional information to better explain the changes and answer questions before the Board votes. Ms. Summers reminded the Board that the public notice was provided at the August 25 board meeting and the changes would become effective October 1, 2004. There are four changes to the ICTF rules, particularly in the way that DSH payments are allocated. The first change is related to how the Department defines “rural” for allocation purposes. Currently the definition is based on a non-Metropolitan Statistical Area (MSA) designation. The change would allow for a hospital that is not in a Metropolitan Statistical Area or if the population of the hospital’s county is 35,000 or less, to be treated as a rural hospital. Twelve hospitals will be impacted by this change. Ten facilities that were previously considered rural, and without this change would convert to an urban status because they are now in a MSA; however, they do have less than 35,000 residents in their counties. They are Brooks County, Burke Medical Center, Georgia Baptist Meriwether, Higgins General, Jasper Memorial, Louis Smith, Monroe County, Phoebe Worth, Roosevelt Warm Springs and Sylvan Grove. Two hospitals that will gain rural status as a result of this change are McDuffie Regional Medical Center and Mountainside Medical Center. The second change relates to the interpretation of what are obstetric services for the purpose of a rural hospital providing obstetric services for qualification for DSH. The Department is asking the definition to be changed if the hospital meets one of the following requirements and is rural to allow participation in DSH: allow hospitals with two or more physicians that have staff privileges that are enrolled in Medicaid and credentialed to provide OB services at the hospital in family practice, general practice, or obstetrics; and located within 25 miles of the hospital or in an office in the hospital network or must attest to attendance at the hospital on some routine basis; and provide at least one obstetric service that is currently covered by Medicaid and appropriate to be provided in a hospital-based setting. Nine hospitals would benefit from this change in definition. They are Candler County, Chatuge Regional, Clinch Healthcare, Hart County, Jenkins County, Morgan Memorial, Peach Regional, Southwest Georgia Regional, and Taylor Telfair Regional Hospital. The third change relates to a requirement by the Centers for Medicare and Medicaid Services (CMS), and that is hospital specific DSH limits have to consider prior UPL rate adjustments. The Department thinks the change will have minimal impact on participating hospitals. The fourth change relates to allocation of funds. Small rural private hospitals that previously received 100% of the DSH allocation would now receive 50% comparable to other private hospitals. Fourteen hospitals are impacted and \$9.4 million would be reallocated to other participating and eligible DSH facilities. Those hospitals impacted include Berrien County, Chestatee Regional, Cobb Memorial, Donalsonville Hospital, East Georgia Regional, Fairview Park, Flint River, Louis Smith Memorial, Memorial Hospital Adel, Phoebe Worth, Smith Northview, Tattnall Community, Taylor Regional and Wheeler County Hospitals. Ms. Summers asked the Board for its favorable consideration for approval. (The Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public

BOARD OF COMMUNITY HEALTH

September 8, 2004

Page Two

Notice and handouts are attached hereto and made an official part of these Minutes as Attachment #3.)

Mr. Holmes opened the meeting for public comment on the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice. Comments on the public notice were given by Jimmy Lewis, HomeTown Health; Jesus Ruiz; and Robb Followell, Chestatee Regional Hospital.

Commissioner Burgess and Ms. Summers answered questions from the board and remarked on some of the public comments. Dr. Parker MADE THE MOTION to APPROVE the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice as policy. Since Mr. Plowman became disconnected from the teleconference, and the Board no longer had a quorum, Dr. Parker MADE THE MOTION TO TABLE the vote on the public notice until Mr. Plowman rejoined the conference call.

Commissioner Burgess directed the Board's attention to the revised version of the FY 06 budget. He asked Carie Summers to review the changes with a brief explanation of what the changes are and why changes were made. This becomes the total budget package presented to the Board for FY 06. Ms. Summers reminded the Board that the department will submit the budget in three versions—105% of FY 05 base, 100% and 97%; that means that in all three scenarios the department is required to propose budget reductions to the Governor's Office to stay within those guidelines. The 105% package requires the Department to cut \$173 million in state funds; 100% requires the Department to cut \$269 million in state funds; and the 97% package requires DCH to cut \$327 million in state funds. Ms. Summers began explanation of changes to the budget. Item No. 2, which would have required prior authorization for more than four brand prescriptions per month, was removed because of concerns that the Department would not be able to achieve this reduction because of implications to the Supplement Rebate Program. Item No. 4 was modified to now call for retrospective reviews on non-delivery related hospital admissions for children by the Program Integrity Unit instead of implementing precertification for hospital admissions. Item No. 7 is a new budget item and it pursues a more aggressive lock-in program for drugs subject to abuse. The savings would be approximately \$2.5 million total funds, \$1 million in state funds; this item is being proposed for all three packages. Items 14 and 15 were previously presented as reducing nursing home reimbursement by adjusting cost center standards, growth allowance, hospital-based differentials and efficiency add ons. Items Numbers 14 and 15 have been modified, with the same intent, but have been divided. In FY 06 the Department expects to earn about \$10 million less in nursing home provider fees than in FY 05; as result that leaves a deficit so the Department has addressed this issue separately with a different reduction seen in Item 15. Item 14 reflects similar across the board cuts to other providers of 3% in the 100% package and 5% in the 100% and 97% packages. Item 16 is new and reduces reimbursement to nursing homes for residents in nursing homes and participating in hospice program. We currently reimburse nursing homes 95% of their per diem; we now propose 90%. That will save about \$3.3 million in total funds. Item No. 24 is new and requires minimum bids on discount off Average Wholesale Price (AWP) for the next round of supplemental rebates. This would save \$10.2 million total funds, \$4.0 million state funds. Item 25 is a new item that relates to injectible drugs provided in a physician's office. Currently the Department reimburses at AWP with no discount. We are now proposing to buy at 14% discount which is comparable to other reimbursement changes in the pharmacy program, so the Department would pay AWP minus 14% or favored nations price, whichever is lesser. Item 27 is new and only affects the 100% and 97% packages. This item would require prior authorization of prescriptions for non-preferred drugs where previously the prescription was considered grandfathered for supplemental drug rebate implementation. Item 38, the elimination of non-emergency transportation for adults, and Item 39, the elimination of emergency ambulance services for adults, have been taken off the table. Item 47, eliminating presumptive eligibility for

BOARD OF COMMUNITY HEALTH

September 8, 2004

Page Three

pregnant women, was removed from consideration. Ms. Summers pointed out that if the board made a line-by-line comparison, the board would note that some of the dollars have changed, although the intent was still there. This is the Department's effort to refine our numbers. The Department has proposed in the 105% and 97% packages more reductions than is necessary; the 100% package is literally balanced. Ms. Summers asked the Board to consider which items the Board would like to take off the table since the Department had exceeded the targets. (The Proposed Reductions to Medicaid and PeachCare for Kids FY 2006 document is attached hereto and made an official part of these Minutes as Attachment #4.)

Mr. Holmes opened the meeting for public comment on the budget recommendations. Comments on the budget were given by: Chris Starr, National Kidney Fund of Georgia; Vidalia Addy, Patient Family Council; Jimmy Lewis, HomeTown Health; Dr. Alfred D. Wyatt, Jr., Georgia Dental Society; Tom Underwood, Georgia Partnership for Caring Foundation; Heidi Moore; Gene Evans; Carol Mackusick, Davita Inc.; Bob Cross; Jennifer McCullough; Janet Hendrix; Becky Kurtz, State Ombudsman; Carolyn Wall; Suzanne McGhee, Georgia Dental Association; Charlene Bunts; Wayne Oliver, Georgia Pharmacy Association; Tish Towns, Grady Health System; Stan Jones, Nelson Mullins; Cal Calhoun, Georgia Hospital Association; Mary Beth Morris; Martha Eaves, Georgia Council on Aging; and Amy Hughes, Memorial Hospital.

Mr. Holmes asked the board if they had questions and called upon the Commissioner to offer comments or explanations on comments made by the public. Commissioner Burgess said after the Governor and his financial advisors looked at the financial situation they believe the state faces for FY 05 and 06, the Governor had a meeting with all department heads in state government to very clearly give an understanding of this analysis and perception of what the fiscal situation looks like for the state. Even though we are growing and improving, we are not improving fast enough to avoid serious fiscal imbalances. The Commissioner said the Department has a fiduciary responsibility to respond to the Governor's call to deal with the fiscal situation we are in the best way we believe is possible. The Department has spent hours and hours over the last several weeks evaluating various options and scenarios; some were presented at the August 25 board meeting; others were changed and presented today. The Commissioner said he believed the Department could not reduce or cut the budget without impact to various constituencies and peoples. The Department has tried minimizing those as much as possible by taking advantage of some of the items presented in today's budget that do not directly affect individuals. Since Mr. Plowman left the meeting, the board does not have a quorum so the Commissioner could not ask the board to approve the budget. The Commissioner said in order to meet the Governor's September 15 deadline for submission of budgets, he feels he must send the budget recommendations on to the Office of Planning and Budget (OPB) and let them know the recommendations have not been approved by the Board, there may be other changes, debates, discussions and other items, but at this point, he must respond to their instructions to take some budget proposals to them and hopefully explain the serious implications attached to each item.

Commissioner addressed questions and comments from the board. There being no further business to be brought before the Board at the September 8 meeting Mr. Holmes adjourned the meeting at 12:45 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE
_____ DAY OF _____, 2004.

MR. RICHARD HOLMES
Vice Chairman

ATTEST TO:

FRANK ROSSITER, M.D.
Secretary

- Official Attachments:
- #1 – List of Attendees
 - #2 – September 8 Agenda
 - #3 – Disproportionate Share Hospital a
and Indigent Care Trust Fund Hospital
Payments Public Notice
 - #4 - Proposed Reductions to Medicaid and
PeachCare for Kids FY 2006